

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-06 EUR-12 EA-07 ISO-00 TRSE-00 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 SSO-00 INRE-00 NSCE-00 USIE-00

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TREASURY:JMACDOWELL

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FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

INFO AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY TOKYO

AMEMBASSY KINSHASA

C O N F I D E N T I A L STATE 270208

E.O. 11652: GDS

TAGS: EFIN, CG

SUBJECT: ZAIRE DEBT RENEGOTIATIONS

REF: BONN 17872

PASS KINNELLY

1. USG IS SERIOUSLY CONCERNED REGARDING ZAIRE'S BALANCE

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OF PAYMENTS PROBLEMS, AND IS KEEPING MATTER UNDER CLOSE

REVIEW. BASED ON INFORMATION AVAILABLE EARLIER THIS YEAR, WE THOUGHT IT WAS POSSIBLE THAT ZAIRE WOULD BE ABLE TO SQUEAK THROUGH 1975 WITHOUT A GENERAL REFINANCING OR RESCHEDULING OF ITS MEDIUM- AND LONG-TERM DEBTS. WE ANTICIPATED HOWEVER THAT ZAIRE WOULD HAVE TO REFINANCE A CONSIDERABLE PORTION OF ITS SHORT-TERM, LARGELY COMMERCIAL, DEBT WHICH IN FACT CONSTITUTED THE BULK OF ZAIRE'S DEBT PROBLEM.

2. WHILE THE USG GENERALLY SHARES FRG VIEWS ON THE ADVANTAGES OF MULTILATERAL RATHER THAN BILATERAL DEBT RENEGOTIATIONS, WE TEND TO BELIEVE THAT THE TIME FOR INITIATING MULTILATERAL NEGOTIATIONS IN THE ZAIRE CASE MAY HAVE ALREADY PASSED GIVEN FACT THAT BOTH BELGIUM AND FRANCE AND APPARENTLY THE ITALIANS, HAVE ALREADY AGREED TO ZAIRE REQUEST FOR BILATERAL NEGOTIATIONS. THE FACT THAT THE GOVERNMENT OF ZAIRE APPEARS ADAMANTLY OPPOSED TO MULTILATERAL DEBT NEGOTIATIONS WOULD BE A MAJOR ROADBLOCK TO A CREDITOR CLUB FORUM.

3. USG BILATERAL DISCUSSIONS WITH ZAIRE HAVE FOCUSED ON PROVISION OF NEW FINANCIAL FLOWS RATHER THAN DEBT RELIEF, AND WE HAVE RECEIVED NO REQUEST FOR RENEGOTIATING 1975-77 DEBT SERVICE. ACTUAL DEBT SERVICE FALLING DUE TO USG, HOWEVER, IS NOT AS HIGH AS USG EXPOSURE MAY SUGGEST. DEBT SERVICE OWED TO THE USG ON OFFICIAL LOANS AND CREDITS IN 1975, FOR EXAMPLE, IS ABOUT \$15 MILLION. THUS FROM ZAIRE POINT OF VIEW, THEY STAND TO BENEFIT MORE BY EMPHASIZING NEW AID AND EXIMBANK LENDING THAN THE AMOUNT OF DEBT RELIEF FALLING DUE.

4. U.S. CANNOT CONSIDER PARTICIPATION IN A CREDITOR CLUB FOR ZAIRE UNTIL CURRENT DISCUSSIONS BETWEEN ZAIRE AND IMF REGARDING IMF STANDBY ARE COMPLETED. MOREOVER, WE DO NOT FEEL WE CAN TAKE THE INITIATIVE REGARDING A "WASHINGTON CLUB". DOMESTIC SENSITIVITY REGARDING DEBT MAKES THE IDEA OF A "WASHINGTON CLUB" UNPALATABLE AT THIS TIME. IN THE CASE OF ZAIRE WE BELIEVE BELGIUM PROBABLY CONSTITUTES A MORE APPROPRIATE HOST FOR SUCH A CLUB. KISSINGER

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